



As reprinted from June 10, 2008

State treasurer offers grim reality on economy



Arizona Treasurer Dean Martin compared the Arizona and national economies to a roller coaster ride Thursday. Martin, a guest speaker at the Benson Economic Forum east of Vail, said Arizona lawmakers are facing a more than \$1.6 billion deficit in planning the 2008-09 budget, and if both legislative houses and Gov. Janet Napolitano do not come to a consensus by July 1, they are facing a government shutdown.

"The fundamental problem was spending continued and they borrowed from the rainy day funds," Martin said. "Revenues continued to decrease, and now we have a problem."

In speaking to the audience, which included elected officials and members of the business sector from Cochise and Pima counties, Martin said Arizona is facing many problems.

"To look at the real picture here, you should drive by a Starbucks," Martin said. "If people are still willing to pay \$4 for a cup of coffee, it's not that bad of a recession. You really need to get worried when the Starbucks is boarded up, or if McDonald's is boarded up because that means people can't even afford the 99 cents for a cup of coffee."

The state has the highest foreclosure rate in history, and Martin said that goes to the supply and demand factor.

"We were the second-fastest growing state in the nation and they built too many houses," he said. "With so many there is no demand."

Martin said he expects the state housing market to hit its lowest point in November or December of this year, and will not recover fully until the year 2014.

"The housing market got us into this and it's going to be the housing market that has to get us out of it," he said. "The bigger problem is that our housing market cannot recover until it does at the national level. Right now it's in the crash phase and it will not begin to recover until 2010 or 2011."

In the Vail and Rita Ranch areas, Martin said they were part of the boom that started the housing crisis. The market was explosive in late 2005 and 2006 to the point that houses were selling well above market value, and loans were being given to anyone.

During that time Pima County Administrator Chuck Huckelberry said the county was issuing between 600 and 700 new home permits per week.

Now banks are more restrictive with financing and homeowners should hold on to their property until the market straightens out, Martin said.

Huckelberry said the county is probably in recession mode, issuing about 100 new home permits per month. Without a boom and during normal times, the administrator said they issue an average of 300 permits per month.

Huckelberry said the county is not in as bad a shape as the state and is making the spending cuts needed to weather the economic storm.

"Our property taxes are stable, but our revenues from the state are going down," he said. "We've asked all departments to reduce expenditures by 5 percent, and the Pima County Sheriff's Office to decrease spending by 1 percent."

Home values have also gone down, and if possible, residents should wait to sell until at least 2014 when the economy is anticipated to recover, Martin said.

While the housing market is playing a big part in Benson's future, Robert Carreira, the director for the Cochise College Center for Economic Research, said it's the Wal-Mart effect that has really stabilized that city over the last two years.

Sales tax revenues increased last year by 38 percent in Benson, which Carreira said helped offset the blow to the county economy, which experienced decreases in several areas. The super center also created 250 more jobs.

The retail giant has drawn in shoppers from Cochise, Graham and Pima counties, Carreira said. Many of those shoppers are coming from Vail and Corona De Tucson as well.

However, with gas prices increasing, Carreira said he expects a slowdown because people may not be as eager to drive long distances to shop.

by Thelma Grimes vail Sun